

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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April 13, 2006

Mr. Tony Masters, Controller
Clarendon Memorial Hospital
10 Hospital Street
Post Office Box 550
Manning, South Carolina 29102

Re: AC# 3-SMH-J2 – Clarendon Hospital District d/b/a Harper Nursing Center

Dear Mr. Masters:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "Tom Wagner".

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**CLARENDON HOSPITAL DISTRICT
D/B/A HARPER NURSING CENTER**

ESTILL, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-SMH-J2**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 23, 2005

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Clarendon Hospital District d/b/a Harper Nursing Center, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of Clarendon Hospital District d/b/a Harper Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

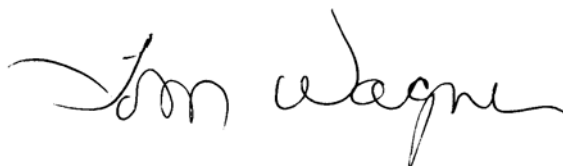
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Clarendon Hospital District d/b/a Harper Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report .
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Clarendon Hospital District d/b/a Harper Nursing Center dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 23, 2005

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Tom Wagner", with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA
State Auditor

HARPER NURSING CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-SMH-J2

10/01/03-
09/30/04

Interim Reimbursement Rate (1)	\$112.09
Adjusted Reimbursement Rate	<u>106.83</u>
Decrease in Reimbursement Rate	\$ <u><u>5.26</u></u>

(1) Interim reimbursement rate from the DH&HS letter dated May 3, 2005

HARPER NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2003 Through September 30, 2004
AC# 3-SMH-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$52.57	\$ 66.44	
Dietary		11.00	11.55	
Laundry/Housekeeping/Maintenance		<u>8.63</u>	<u>9.83</u>	
Subtotal	<u>\$6.15</u>	72.20	87.82	\$ 72.20
Administration & Medical Records	<u>\$1.18</u>	<u>12.28</u>	<u>13.46</u>	<u>12.28</u>
Subtotal		84.48	<u>\$101.28</u>	84.48
<u>Costs Not Subject to Standards:</u>				
Utilities		3.35		3.35
Special Services		-		-
Medical Supplies & Oxygen		2.38		2.38
Taxes and Insurance		3.18		3.18
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$93.41</u>		93.41
Inflation Factor (4.70%)				4.39
Cost of Capital				7.45
Cost of Capital Limitation				(.17)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.18
Cost Incentive				6.15
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.58)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$106.83</u>

HARPER NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-SMH-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,696,880	\$ 322 (10)	\$ 855 (8)	\$ 1,696,347
Dietary	354,771	-	-	354,771
Laundry	49,473	-	-	49,473
Housekeeping	149,815	-	7,165 (1)	142,650
Maintenance	153,591	-	878 (2) 9,136 (3) 4,251 (4) 52,988 (10)	86,338
Administration & Medical Records	490,712	9,136 (3)	103,493 (10)	396,355
Utilities	108,807	-	674 (10)	108,133
Special Services	-	-	-	-
Medical Supplies & Oxygen	98,340	-	11,008 (8) 10,463 (10)	76,869
Taxes and Insurance	107,614	-	4,004 (6) 926 (10)	102,684
Legal Fees	523	-	-	523

HARPER NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-SMH-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	257,137	36,049 (9)	2,900 (5) 49,755 (7)	240,531
Subtotal	3,467,663	45,507	258,496	3,254,674
Ancillary	108,266	11,863 (8)	-	120,129
Nonallowable	214,240	4,251 (4) 2,900 (5) 4,004 (6) 49,755 (7) 168,222 (10)	36,049 (9)	407,323
Total Operating Expenses	<u>\$3,790,169</u>	<u>\$286,502</u>	<u>\$294,545</u>	<u>\$3,782,126</u>
Total Patient Days	<u>32,266</u>	<u>-</u>	<u>-</u>	<u>32,266</u>
Total Beds	<u>104</u>			

HARPER NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-SMH-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Retained Earnings Housekeeping	\$ 7,165	\$ 7,165
	To properly charge expenses to the prior period HIM-15-1, Section 2302.1		
2	Retained Earnings Maintenance	878	878
	To properly charge expenses to the prior period HIM-15-1, Section 2302.1		
3	Administration Maintenance	9,136	9,136
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
4	Nonallowable Maintenance	4,251	4,251
	To disallow expense due to a lack of adequate documentation HIM-15-1, Section 2304		
5	Nonallowable Cost of Capital	2,900	2,900
	To adjust amortization expense State Plan, Attachment 4.19D		
6	Nonallowable Taxes and Insurance	4,004	4,004
	To adjust property tax expense HIM-15-1, Section 2304		
7	Nonallowable Other Equity	49,755 1,034,130	
	Accumulated Depreciation		114,875
	Fixed Assets		919,255
	Cost of Capital		49,755
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		

HARPER NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-SMH-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Ancillary	11,863	
	Medical Supplies		11,008
	Restorative		855
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
9	Cost of Capital	36,049	
	Nonallowable		36,049
	To adjust capital return State Plan, Attachment 4.19D		
10	Nonallowable	168,222	
	Nursing	322	
	Maintenance		52,988
	Administration		103,493
	Medical Supplies		10,463
	Utilities		674
	Taxes and Insurance		926
	To adjust home office/hospital allocation HIM-15-1, Section 2304		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$1,328,675</u>	<u>\$1,328,675</u>

Due to the nature of compliance reporting,
adjustment descriptions and references
contained in the preceding Adjustment
Report are provided for general guidance
only and are not intended to be all-
inclusive.

HARPER NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-SMH-J2

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.55013</u>	<u>2.55013</u>	<u>2.55013</u>	
Deemed Asset Value (Per Bed)	39,828	39,828	39,828	
Number of Beds	<u>44</u>	<u>44</u>	<u>16</u>	
Deemed Asset Value	1,752,432	1,752,432	637,248	
Improvements Since 1981	80,534	4,323	1,573	
Accumulated Depreciation at 9/30/02	<u>(639,155)</u>	<u>(270,626)</u>	<u>(53,092)</u>	
Deemed Depreciated Value	1,193,811	1,486,129	585,729	
Market Rate of Return	<u>.0561</u>	<u>.0561</u>	<u>.0561</u>	
Total Annual Return	66,973	83,372	32,859	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	66,973	83,372	32,859	
Depreciation Expense	19,034	27,866	14,892	
Amortization Expense	-	-	-	
Capital Related Income Offsets	(1,889)	(1,889)	(687)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	84,118	109,349	47,064	\$240,531
Total Patient Days (Minimum 85% Occupancy)	<u>13,651</u>	<u>13,651</u>	<u>4,964</u>	<u>32,266</u>
Cost of Capital Per Diem	\$ <u>6.16</u>	\$ <u>8.01</u>	\$ <u>9.48</u>	\$ <u>7.45</u>

HARPER NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-SMH-J2

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.77	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>5.76</u>	\$ <u>8.01</u>	\$ <u>9.48</u>
Reimbursable Cost of Capital Per Diem		\$ 7.28	
Cost of Capital Per Diem		<u>7.45</u>	
Cost of Capital Per Diem Limitation		\$ <u>(.17)</u>	

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.